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Applying the Job Costing Method in Calculating Costs of Printing Enterprises

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Abstract

The job costing method is performed by recording detailed information about each individual product or small group of similar products. This method is often applied in businesses with single products and services such as orders, or products with large value or size. This article presents theory on the method of determining job costs in manufacturing enterprises. At the same time, the article presents the results of research on the current status of pricing in printing enterprises and presents the current status of product pricing

in printing enterprises. The article also offers solutions to improve the calculation of product prices in printing enterprises in accordance with the production and business activities of printing enterprises. Applying job costing method to each order contributes to providing information about the production cost of the order, helping administrators have information to make decisions about orders.

Keywords: Job Costing, Product Pricing, Cost Management, Activity Cost Group

1. Theoretical basis

Determining costs for cost objects is an important part of cost accounting in manufacturing enterprises, closely related to the functions of corporate governance. Methods for determining costs for cost objects are the determination and collection of production costs for different cost objects, for the purpose of calculating the cost of products and services to serve operations. Production and business management activities such as product selling price, inventory valuation, determining results, making business decisions and inspection purposes, controlling costs... Methods of determining fees for fee-bearing objects can be divided into traditional methods and modern methods. Traditional cost accounting has two methods of determining costs for cost objects: Determining costs by the direct method and determining costs by the total method. In particular, if based on the source of cost data, there are actual cost methods, normal cost methods, standard cost methods, if based on the characteristics of the production process, there are there are two costing systems: Job costing and process costing. Modern cost accounting has developed two methods: Activity based costing method and target costing method.

The job costing method records detailed information about each individual product or small group of similar products. This method is often applied in businesses with single products and services such as orders, or products with large value or size. Businesses require separate cost calculation for each product or order. The cost of each product unit will be equal to the total cost divided by the number of products in that order. The unique characteristic of purchase orders is that they are placed before the production process begins. When a customer comes to place an order, the business needs to determine the product price to calculate the selling price of the product, thereby deciding to sign a contract with the customer. The selling price needs to cover costs and bring the desired profit for the business. The requirement is that businesses need to have information about the production costs of orders as soon as possible.

According to the job costing method, product manufacturing costs are divided into three cost items: Direct material costs, direct labor costs, and general production costs. In which direct material costs and direct labor costs are grouped according to actual costs incurred; and general production costs are estimated and allocated according to the selected allocation criteria. Enterprises that produce many orders must account for costs separately for each order and must store separate documents for each order. For each order put into production, a Job Cost Sheet will be opened to track all costs for that order. Direct material costs, direct labor costs, and manufacturing overhead costs are aggregated into the order. When the order is not yet completed, the aggregated costs calculated up to that point are the value unfinished products of the order, when the order is completed, the entire cost on the job cost sheet is the production cost of the order, and if divided by the number of finished products in the order, the production cost of one unit of product will be calculated.

The job costing method will help businesses determine the costs associated with each order as soon as the costs arise, thereby enabling timely control and evaluation. However, this method also has the disadvantage of focusing mainly on the product and not on the process. In addition, manufacturing overhead costs are allocated to finished products according to estimates, not actual results, so it is effective in assessing whether the use of overhead manufacturing costs is good or not, but has the disadvantage of in case the enterprise produces less than the estimated output, the general production costs allocated to the product during the period are too small compared to reality, leading to the product selling price not meeting the desired profit level. of business. Using the job cost method also creates a large amount of work because it is necessary to collect separate costs for each order. This method is suitable for the production of products that are made to order, have great value, are large in size and are ordered before production. Calculating the cost of each order will contribute to controlling costs in the business.

2. Actual situation

The characteristic of production and business activities of printing enterprises is that they often produce according to orders. That is, only when a customer places an order does the business proceed with printing. Production and business activities of enterprises affect the calculation of product prices. Raw materials are the main and frequently purchased items at printing enterprises including couche paper, couches matt paper, ford paper (also known as cladding paper), ivory paper, duplex paper, kraft paper, carbon... Printing businesses' products are often specific to each customer's needs. Each customer will have their own requirements. Therefore, the cost collection object and cost calculation object are the customer's printing contract. Each contract includes direct materials costs, direct labor costs, and manufacturing overhead costs. Raw material costs and direct labor costs are gathered directly for each type of product, general production costs are gathered together for each workshop and then allocated to orders according to business criteria. select. Printing businesses determine the cost collection object and the cost calculation object as each order. Printing businesses calculate product costs using the entire method to provide information for financial accounting. All surveyed printing businesses determine product costs according to the actual cost method and determine production product costs according to the total cost method. According to this method, the cost of the manufactured product is the actual costs incurred and the product cost will include all costs incurred related to the production of the product, that is, including costs incurred fixed and variable costs to produce that product. Determining product costs like this has served well for inventory valuation and determining results according to financial accounting regulations. However, the above cost calculation only calculates the product cost at the end of the month and cannot calculate the product price at the time of entering into and signing the contract.

Using the actual cost method accurately reflects product costs as required by financial accounting. However, according to this method, costs such as direct labor costs and manufacturing overhead costs must not be fully collected until the end of the period, which means that the allocation and calculation must be done at the end of the period. cost of

the finished product. Product cost information is only provided at the end of the period. However, printing businesses need price information before signing a contract with the customer, to determine the selling price in the contract. Therefore, printing businesses need to apply job costing methods to provide cost and price information for decision making and determine business efficiency of the business.

3. Solutions

At printing businesses, in order to provide information for quickly calculating costs and providing cost information for decision making, the article proposes that printing businesses apply the method of determining costs. Job costing combined with the allocation of estimated manufacturing overhead costs. The accuracy of this method depends heavily on the determination of the estimated manufacturing overhead rate. To determine the appropriate estimated manufacturing overhead rate, two factors need to be determined.

First, it is necessary to determine the estimated total manufacturing overhead costs for the entire period. Manufacturing overhead costs include fixed manufacturing overhead costs, variable manufacturing overhead costs, and mixed manufacturing overhead costs.

Second, choose the appropriate estimated production overhead cost allocation criteria. Printing businesses should choose the estimated number of machine hours to allocate the estimated general production costs as the criterion for allocation, because printer depreciation costs account for a large proportion of general production costs. Printing businesses that apply the job costing method will provide product cost information quickly, meeting the needs of administrators in determining the cost price of orders as a basis for selling prices, so that the administrator can make decisions whether to accept the order or not. Product costs calculated using the job costing method are shown on the Production Cost Sheet for each contract. The production cost calculation sheet for each printing contract is used to track product costs from the time the product begins to be put into production until the product is completed. When the manufactured product is completed, the entire cost collected and estimated on the price sheet is the cost of that printing contract. In case the contract has not been completed, the costs recorded on the Production Cost Sheet for each contract are the unfinished production costs of that contract.

PRODUCTION COST SHEET FOR EACH PRINTING CONTRACT
(according to the job costing method)

Month (quarter) :.....

Product's name: _____
 Contract number: _____ Production date: _____
 Production quantity: _____ Completion date: _____
 Workshop: Unit: _____

Direct raw materials cost			Direct labor cost			Estimated manufacturing overhead allocation level			
Date	Delivery slip number	Amount	Date	Number of votes to monitor time	Amount	Cost content	Number of allocation criteria	Allocation ratio of manufacturing overhead costs	Allocation of general production costs
Total									
Summary of production costs of batches of products						Total price:		Unit price :	
Direct raw materials cost									
Direct labor costs									
General production costs									
Total:									

Fig 1: Production cost calculation sheet for each printing contract

4. Conclusion

Product prices play an important role in providing information to information users. There are many methods for determining costs for cost objects. Each method has its own advantages, disadvantages and application conditions. Cost information of each method is also used for different purposes in enterprise cost management. Businesses can choose many methods of determining costs, because each method can help managers have a different perspective on costs and thereby influence the decision-making process. To enhance cost management, depending on organizational management conditions, product production characteristics, production scale, etc., businesses will choose an appropriate cost determination method. Printing businesses typically produce according to customer contracts, so the article has proposed implementing job costing method to provide information for administrators to make decisions, contributing to improving productivity. Improve cost management efficiency, bringing higher profits to printing businesses in Vietnam.

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